

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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2012 JUL -6 P 3:53

ARIZONA CORPORATION COMMISSION
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JUL -6 2012

DOCKETED BY	
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IN THE MATTER OF THE APPLICATION OF
TUCSON ELECTRIC POWER COMPANY FOR
APPROVAL OF A CUSTOMER AGREEMENT
WITH PIMA COUNTY.

DOCKET NO. E-01933A-12-

E-01933A-12-0308

APPLICATION

Tucson Electric Power Company ("TEP" or "Company"), through undersigned counsel, hereby requests approval of an agreement between TEP and Pima County ("County") regarding TEP's Bright Tucson Solar Community Solar Program ("Bright Tucson"). Specifically, the County has requested – and TEP has agreed – that the County be charged a lower premium than the \$0.02 that is provided in TEP's Pricing Plan Rider 5 because of the large number of blocks the County intends to acquire, as well as the land lease agreement entered into between TEP and the County.

In support of this Application, TEP states as follows:

1. TEP is an Arizona public service corporation with its principal office and place of business in Tucson, Arizona. TEP owns and operates facilities for the generation, purchase, transmission, distribution and sale of electricity.

2. Pima County is a governmental entity in the south central region of Arizona, with the majority of the population centered in the City of Tucson, Arizona.

3. TEP's Bright Tucson program was approved by the Arizona Corporation Commission ("Commission") in Decision No. 71835 (August 10, 2010). Under the program, TEP customers can purchase one or more kW increments of solar energy (with each kW representing 150 kWh) at a \$0.02 per kWh premium over the regular tariff rate. Participating customer have

1 the solar energy component of their bill fixed at that rate for 20 years. The terms of the Bright
2 Tucson program are set forth in TEP's Pricing Plan Rider 5, which is attached as Exhibit "A."

3 4. When TEP's Bright Tucson program was approved in 2010, TEP and the County
4 had already been involved in an open dialogue about increasing the County's use of solar energy.
5 By the middle of 2011, the County and TEP began discussions about utilizing the Bright Tucson
6 program to allow the County to utilize large scale solar but at a discount to the normal premium
7 rate. In 2012, the County agreed to acquire 5,000 blocks (over 5 MW of capacity) if TEP agreed
8 to, and the Commission approves, a smaller premium for that energy. The County and TEP
9 agreed to enter into a land lease agreement whereby the County would lease to TEP the land upon
10 which a new solar generation facility will be constructed, for an additional decrease in the rate.

11 5. Attached as Exhibit "B" is the special contract that reflects the agreement between
12 the County and TEP ("Agreement"). This Agreement is effectively an extension of the Bright
13 Tucson program that has already been approved by the Commission. The County has agreed to
14 acquire 5,000 blocks and lease the land for the solar generation facility to TEP. In exchange, TEP
15 agrees to reduce the premium from \$0.02 to \$0.0075. The reduced premium applies only to the
16 specific County accounts set forth in the Agreement.

17 6. TEP believes the reduced premium is appropriate given the County's commitment
18 to acquire a very large number of solar blocks and the land lease agreement. The Commission
19 approved a similar discounted rate for La Posada at Park Central ("La Posada") in Decision No.
20 72800 (February 2, 2012). In that Decision, La Posada agreed to purchase a large number of solar
21 blocks and TEP agreed to reduce the premium from \$0.02 to \$0.01. In the instant case, because
22 the County similarly agreed to buy a large number of solar blocks, TEP believes it is appropriate
23 to extend the same discount that was previously approved for La Posada. Additionally, TEP and
24 the County agreed that an additional \$0.005 discount was warranted to reflect the land lease
25 agreement. Combining the discounts, the premium over the County's tariffed rate will be
26 \$0.0075. TEP believes that the long-term commitment and the land lease agreement enabling TEP
27

1 to build a new solar generating facility, benefits all TEP's customers and helps to ensure that the
2 purpose and benefits of the Bright Tucson program will continue to be realized.

3 7. TEP submits that approval of this Agreement is in the public interest because it: i)
4 is consistent with the purpose of the Bright Tucson program; ii) helps facilitate a municipal entity
5 to acquire affordable renewable energy; and iii) contains the lease agreement component which
6 allows TEP to build additional renewable generation that will benefits all of TEP's customers.

7 8. Additionally, TEP hereby waives the 30 day time period in which the application
8 would be deemed approved if not acted on by the Arizona Corporation Commission. Both TEP
9 and the County, however, would like to have the special contract approved as soon and possible
10 and request expedited consideration of this Application.

11 WHEREFORE, TEP requests that the Commission approve the Agreement between TEP
12 and the County. TEP further requests expedited treatment of this Application.

13 RESPECTFULLY SUBMITTED this 6th day of July 2012.

14 TUCSON ELECTRIC POWER COMPANY

15
16 By 

17 Bradley S. Carroll
18 Tucson Electric Power Company
19 88 E. Broadway Blvd., MS HQE910
20 P.O. Box 711
21 Tucson, Arizona 85702

22 and

23 Michael W. Patten
24 Roshka DeWulf & Patten, PLC
25 One Arizona Center
26 400 East Van Buren Street, Suite 800
27 Phoenix, Arizona 85004

Attorneys for Tucson Electric Power Company

1 Original and 13 copies of the foregoing
2 filed this 6th day of July, 2012, with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington Street
6 Phoenix, Arizona 85007

7 Copy of the foregoing hand-delivered/mailed
8 this 6th day of July, 2012, to:

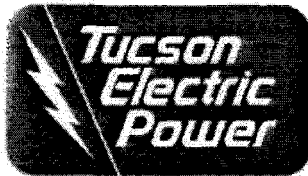
9 Lyn Farmer
10 Chief Administrative Law Judge
11 Hearing Division
12 Arizona Corporation Commission
13 1200 West Washington Street
14 Phoenix, Arizona 85007

15 Janice M. Alward, Chief Counsel
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17 Arizona Corporation Commission
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21 Utilities Division
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25
26 By Mary Spolito
27

EXHIBIT “A”



A UniSource Energy Company

Pricing Plan Rider-5 Electric Service Solar Rider (Bright Tucson Community Solar™)

APPLICABILITY

Pricing Plan Rider-5 is for individually metered customers who wish to participate in the Bright Tucson Community Solar Program. Under Rider-5, customers will be able to purchase blocks of electricity from solar generation sources. Participation in Rider-5 is limited in the Company's sole discretion to the amount of solar generation available and subscription will be made on a first come, first served basis. In order to maximize subscription under Rider-5, TEP may limit the amount of solar block energy purchased by individual customers. Pricing Plan Rider-5 is further restricted to customers being served under one of the following Pricing Plans:

- 1) Residential Lifeline Discount, Pricing Plan R-06-01
- 2) Residential Electric Service, Pricing Plan R-01
- 3) General Service, Pricing Plan GS-10
- 4) Large General Service, Pricing Plan LGS-13
- 5) Municipal Service, Pricing Plan PS-40

Customers being served under self-generation riders or plans may not purchase power under Rider-5 (including, but not limited to Net Metering for Certain Partial Requirements Service Rider-4 and Non-Firm Power Purchase from Renewable Energy Resources and Qualifying Cogeneration Facilities of 100 kilowatts (kW) or Less Capacity Rider-101).

RATE

Customers can contract for a portion or up to their average annual usage in solar blocks of 150 kilowatt hours (kWh) each. Transmission and distribution charges will be applied to all energy delivered, including energy delivered under Rider-5. The Customer is responsible for paying (each month) all charges incurred under their applicable rate schedule, and the total solar energy contracted for multiplied by the applicable solar block energy rate. Any demand based charges under the Customer's current Pricing Plan will not be affected by elections under Rider-5.

Rate Schedule	Base Power Contract Rate	Solar Energy Premium	Solar Block Energy Rate
Residential Lifeline R-06-01	\$0.030198	\$0.020000	\$0.050198
Residential Service R-01	\$0.030324	\$0.020000	\$0.050324
General Service GS-10	\$0.028475	\$0.020000	\$0.048475
Large General Service LGS-13	\$0.029371	\$0.020000	\$0.049371
Municipal Service O-40	\$0.029086	\$0.020000	\$0.049086

TERMS AND CONDITIONS

- 1) Customers may contract for a portion or up to their average annual usage in solar blocks of 150 kWh. If Customer's annual average usage is not available, TEP will apply the appropriate class average. This limit can be reviewed annually at the request of the Customer.
- 2) Each solar block's energy rate will be maintained for twenty years from the date of purchase. For the purposes of the twenty year energy rate, solar blocks will be attributed to the Customer's original service address. Transfer of service under Rider-5 is prohibited. Should the Customer cancel service for any reason, his or her subscription under Rider-5 will expire.
- 3) Customers may add or delete solar blocks once within a twelve month period. Any addition of solar blocks will be at the then offered solar block energy rate.
- 4) Solar blocks will be applied to the actual energy usage each month. Electricity used in excess of the purchased solar blocks will be billed at the Customer's regular energy rate. If electricity usage is below the amount covered by the solar block(s), then the excess kWhs will be rolled forward and credited again the Customer's usage in the following month. The Customer will still be responsible for the full cost of the block(s) each month.

Customers will be credited for the balance of any excess kWhs annually, or on their final bill should the Customer terminate service under Rider-5. Each year, for the bills produced in October (September usage), TEP will credit Customers their excess kWhs after netting and reset their balance to zero. Credit for excess kWhs will be at the energy rate of the oldest solar block.

- 5) All contracted solar block kWhs and associated charges in a billing month will be excluded from the calculation of PPFA and REST charges and/or credits.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: R-05 Solar
Effective: February 1, 2011
Page No.: 1 of 1

EXHIBIT "B"

Exhibit "B"

BRIGHT TUCSON COMMUNITY SOLAR RIDER AGREEMENT

BETWEEN

TUCSON ELECTRIC POWER COMPANY

AND

PIMA COUNTY

AGREEMENT

1. PARTIES

The parties to this agreement ("Agreement"), dated ^{June} May 5, 2012, are TUCSON ELECTRIC POWER COMPANY ("TEP"), an Arizona public service corporation, and PIMA COUNTY ("Customer"), an Arizona government agency and retail customer taking electric service from TEP.

2. BACKGROUND

TEP's Bright Tucson Community Solar Program (the "Program") was approved by the Arizona Corporation Commission ("ACC") on August 10, 2010, in Decision No. 71835, and permits customers to purchase solar power in "blocks" of 150 kilowatt-hours (kWh) per month (the "Solar Blocks") from solar generation facilities, thereby reducing the use of energy from conventional resources.

Subject to approval of this Agreement by the ACC, Customer wishes to participate in the Program through the purchase of five (5) megawatts of generating capacity ("Purchase Commitment"), but at a lower kWh rate than provided in the approved Program due to its Purchase Commitment, as set forth under the terms and conditions contained in this Agreement.

Participation in the Program is conditioned upon the parties entering into a land lease agreement (the "Land Lease") whereby the Customer will lease to TEP the land upon which the solar generation facility will be constructed for the decreased rate as specified in Section 5 below.

3. TERM, EFFECTIVE DATE AND TERMINATION

3.1 Term and Effective Date

Upon the date of the issuance of an Order by the ACC approving this Agreement and the parties executing the Land Lease, whichever occurs last (the "Effective Date"), this Agreement shall commence upon such Effective Date or the date of the solar system commissioning, whichever is later, and, unless earlier terminated as provided herein, shall continue for a period of twenty (20) years from such date (the "Term"). If the ACC does not issue an Order approving this Agreement or the parties do not enter into the Land Lease, this Agreement shall be null and void.

3.2 Termination for Cause

If either party materially defaults in its performance under this Agreement and fails to cure such default for thirty (30) days after receiving the non-defaulting party's written notice of such default, the non-defaulting party may immediately terminate this Agreement.

3.2.1 For the purposes of this Agreement, only the following constitute material defaults:

3.2.3 If by TEP:

- a) The failure to deliver energy to Customer as required by the terms and conditions of this Agreement.
- b) Any material breach of the terms and conditions of the Land Lease.

3.2.4 If by Customer:

- a) The failure to pay TEP for energy delivered to Customer as required by the terms and conditions of this Agreement.
- b) Any material breach of the terms and conditions of the Land Lease.

3.3 **Effect of Termination**

If TEP terminates this Agreement for Cause as set forth in Section 3.2 above, such termination will not affect the Land Lease or TEP's rights under the Land Lease or require removal of the solar generation facility on the leased property. Upon termination of this Agreement by TEP for Cause, the lease rate specified in the Land Lease will convert to a fixed rate for the remainder of the Term of \$67,500 annually.

If Customer terminates this Agreement for Cause as set forth in Section 3.2 above, Customer may terminate the Land Lease pursuant to the terms and conditions of the Land Lease.

4.0 **FACILITIES**

TEP will dedicate five (5) megawatts of solar energy comprising 5,000 blocks to be applied to the premises identification numbers ("IDs") listed in attached Exhibit 1. Such allocations are subject to the restrictions set forth in Program Rider-5 which is incorporated herein by reference. However, subject to prior approval by TEP, there shall be no exclusion on net metered accounts.

All accounts listed in Exhibit 1 will be subject to the Solar Block rate shown as Municipal Service PS-40 below.

5.0 **RATE**

The applicable rate(s) shown below will be applied to the Solar Blocks contracted herein. Transmission and distribution charges will be applied to all energy delivered, including energy delivered under Program Rider-5. The Customer is responsible for paying (each month) all charges incurred under its applicable rate schedule(s), and for the total number of Solar Blocks contracted for, multiplied by the applicable Solar Block Energy Rate. Any demand-based charges under the Customer's current Pricing Plan will not be affected by elections under Program Rider-5 or this Agreement.

Rate Schedule	Base Power Contract Rate	Solar Energy Premium	Land Use Credit	Solar Block Energy Rate
Municipal Service PS-40	\$0.029086	\$0.012500	-\$0.0075	\$0.034086

- Delivery Services - Energy provided by TEP will reflect the current rates approved by the ACC, as they may change from time to time.
- The Solar Energy Premium will be fixed for the Term of this Agreement.
- Other Charges - Other applicable charges, including ACC assessments, state and local taxes, etc., are in addition to the Solar Block Energy Rate stated above.

6.0 **TERMS AND CONDITIONS**

- 1) The solar energy credited to each designated premise ID listed above must be allocated in 150 kWh monthly blocks. TEP will determine, in its sole discretion, the expected annual output of the solar generating facility and the number of Solar Blocks available to Customer on an annual basis. TEP reserves the right to reduce the number of Solar Blocks available to Customer based on the actual solar output of the solar generating facilities.

- 2) For the purposes of the twenty (20) year Solar Block Energy Rate, Solar Blocks will be attributed to the Customer's premises IDs listed above only.
- 3) Solar Blocks will be applied to the actual energy usage each month. Electricity used in excess of the purchased Solar Blocks will be billed at the applicable standard offer energy rate. If electricity usage is below the amount covered by the Solar Block(s), then the excess kWhs will be rolled forward and credited against the Customer's usage in the following month(s). Customer shall still be responsible for the full monthly cost of the contracted Solar Blocks identified herein.
- 4) Each year, for the bills produced in October (September usage), TEP will credit any excess kWhs after netting and reset the balance to zero. Credit for excess kWhs will be at the energy rate of the Solar Blocks included herein.
- 5) All contracted Solar Block kWhs and associated charges in a billing month will be excluded from the calculation of PPFAC and REST charges and/or credits.

7.0 MISCELLANEOUS

7.1 Entire Agreement, Amendment

This Agreement constitutes the entire understanding and commitment of the parties hereto with respect to the subject matter hereto and shall supersede all prior offers, negotiations and agreements. No amendment or modification of this Agreement shall be valid and binding unless made in writing and signed by an authorized representative of TEP and Customer.

7.2 Governing Law

This Agreement shall be interpreted, governed by and construed under the laws of the State of Arizona, without regard to the conflict of laws provision thereof, and is subject to the jurisdiction of the ACC. Subject to Section 7.3 of this Agreement, TEP's Tariffs and Rules and Regulations (as may be amended from time to time), are incorporated by reference herein.

7.3 Conflicts

To the extent of any conflict between the provisions of this Agreement and any of TEP's Riders, Tariffs, or Rules and Regulations, the provisions of this Agreement shall control.

7.4 Cancellation for Conflict of Interest

This Agreement is subject to cancellation for conflict of interest pursuant to ARS § 38-511, the pertinent provisions of which are incorporated into this Agreement by reference.

7.5 Non-Discrimination

TEP agrees to comply with all provisions and requirements of Arizona Executive Order 2009-09 including flow down of all provisions and requirements to any subcontractors. Executive Order 2009-09 supersedes Executive order 99-4 and amends Executive order 75-5 and may be viewed and downloaded at the Governor of the State of Arizona's website http://www.azgovernor.gov/dms/upload/EO_2009_09.pdf which is hereby incorporated into this contract as if set forth in full herein. During the performance of this contract, TEP shall not discriminate against any employee, client or any other individual in any way because of that person's age, race, creed, color, religion, sex, disability or national origin.

8.0 SIGNATURES

The parties indicate their understanding of an agreement to all of the above terms and conditions by signing where designated below.

TUCSON ELECTRIC POWER COMPANY

By: 

Print Name Carmine A. Hymen

Title: Director

PIMA COUNTY

By: SEE page 7

Print Name _____

Title: _____

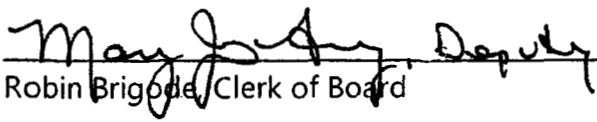
COUNTY: **PIMA COUNTY**, a body politic and corporate of the State of Arizona:


Chairman, Board of Supervisors

JUN 05 2012

Date

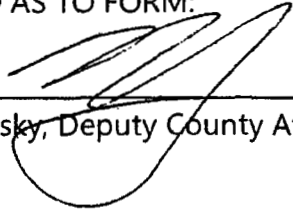
ATTEST:


Robin Brigode, Clerk of Board

JUN 05 2012

Date

APPROVED AS TO FORM:


Marc Natelsky, Deputy County Attorney, Civil Division